

**MUNICIPALITY OF WHITE LAKE  
WHITE LAKE, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2016 TO DECEMBER 31, 2016  
AND  
FOR THE YEAR JANUARY 1, 2017 TO DECEMBER 31, 2017**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF WHITE LAKE

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2017

MAYOR:

James Thiry

GOVERNING BOARD:

Wyatt Krumvieda  
Jason Moeller  
Reid Sueflow  
Janice Thiry

FINANCE OFFICER:

Barbara Simpson

ATTORNEY:

Scott Swier

*Schoenfish & Co., Inc.*

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P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS  
Phone: 605-928-7241  
FAX No.: 605-928-6241  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board  
Municipality of White Lake  
White Lake, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of White Lake, South Dakota (Municipality), as of December 31, 2017 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 2, 2018, which was adverse because of the condition of the accounting records.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2017-002.

#### Municipality's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 2, 2018

*Schoenfish & Co., Inc.*

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P.O. Box 247

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

Internal Control Over Revenues:

Finding Number 2014-001:

A reportable condition and material weakness in internal controls was noted due to a lack of proper segregation of duties resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2017-001.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT OTHER AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2017-001:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This is a continuing audit comment since 1999.

Criteria:

Proper segregation of duties and municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The following deficiencies in internal accounting control and record keeping were noted:

- a. A lack of proper segregation of duties existed for the revenue, expenditure, and payroll functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. Statement of Auditing Standards Section Number 319.110 states "Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of his or her duties."
- b. The following records were not maintained by employees of the Municipality:
  1. General Fixed Asset, Enterprise Fixed Asset and Depreciation records did not exist.
  2. Inventories were not updated by the maintenance department.
  3. The Liquor Fund's cash amounts should have been included on the annual report.
  4. The Municipality did not maintain a general ledger or general journal.
  5. The accuracy of the beginning balances and ending balances reported in the financial statements was unable to be determined by individual fund.
- c. The receipts were not all recorded properly nor was it all receipted into the appropriate fund.
- d. Bank balances could not be determined by fund type.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding."

SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties, and improper records were maintained for the Municipality of White Lake.

Recommendations:

1. We recommend that the municipal officials be cognizant of the lack of segregation of duties for the receipts, disbursements, and payroll functions and attempt to provide compensating internal controls whenever and wherever possible and practical.
2. We recommend that all necessary accounting records be established and properly maintained.

Management's Response:

The Municipality of White Lake Mayor, Janice Thiry, is the contact person responsible for the response for this comment. This comment is due to the expertise of staff and the size of the Municipality of White Lake which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and to provide compensating controls.

Compliance – Related Finding:Finding Number 2017-002:

No budget was prepared for the Liquor, Lodging and Dining Fund for 2016. The General Fund was budgeted to spend more money than was available in 2016 and the Liquor, Lodging and Dining Fund was budgeted to spend more money than was available in 2017. Expenditures were in excess of the amounts budgeted in several departments in the General Fund for 2016 and 2017. This is the first audit in which a similar audit comment has occurred.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7. Also, the Municipality budgeted to spend more than available, which is not allowed as stated in SDCL 9-21-9.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendation:

3. We recommend that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:

The Municipality of White Lake Mayor, Janice Thiry, is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit was discussed with the Mayor and finance officer on July 30, 2018.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of White Lake  
White Lake, South Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of White Lake, South Dakota, (Municipality) as of December 31, 2017 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Adverse Opinions

Several errors and omissions were noted in the financial statements. The most serious item was not being able to determine cash balances by fund type.

### Opinions

In our opinion, because of the effects of the items reported in the above paragraphs, the financial statements referred to above do not present fairly the respective financial position, modified cash basis, of the governmental activities, business-type activities, and each major fund of the Municipality of White Lake as of December 31, 2017 and the respective changes in financial position, modified cash basis, where applicable, thereof for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America with the basis of accounting described in Note 1.c.

### Basis of Accounting

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Other Matters

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), the Schedule of the Municipality's Contributions, and the Schedule of Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the adverse opinion on the financial statement, we are not providing an opinion on the supplementary information.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2018 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 2, 2018

*Schoenfish & Co., Inc.*

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**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	72,991.67	159,318.95	232,310.62
Investments		105,287.58	105,287.58
<b>TOTAL ASSETS</b>	<b>72,991.67</b>	<b>264,606.53</b>	<b>337,598.20</b>
<b>NET POSITION:</b>			
Restricted for:			
Parks/City Promotion	13,662.14		13,662.14
Unrestricted	59,329.53	264,606.53	323,936.06
<b>TOTAL NET POSITION</b>	<b>72,991.67</b>	<b>264,606.53</b>	<b>337,598.20</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	55,418.01	18,607.27			(36,810.74)	(36,810.74)
Public Safety	58,500.42	284.65			(58,215.77)	(58,215.77)
Public Works	76,183.63	826.43	36,610.23		(38,746.97)	(38,746.97)
Culture and Recreation	57,402.42	6,077.82			(51,324.60)	(51,324.60)
Conservation and Development	8,751.76				(8,751.76)	(8,751.76)
*Interest on Long-Term Debt	6,300.00				(6,300.00)	(6,300.00)
Total Governmental Activities	262,556.24	25,796.17	36,610.23	0.00	(200,149.84)	(200,149.84)
Business-type Activities:						
Water	82,421.95	92,110.45	8,194.50			17,883.00
Sewer	37,575.85	57,076.23				19,500.38
Liquor	25,187.87	8,889.46				(16,298.41)
Daycare	123,804.17	117,634.33				(6,169.84)
Total Business-Type Activities	268,989.84	275,710.47	8,194.50	0.00		14,915.13
Total Primary Government	531,546.08	301,506.64	44,804.73	0.00	(200,149.84)	(185,234.71)
<b>General Revenues:</b>						
Taxes:						
Property Taxes					122,040.24	122,040.24
Sales Taxes					107,427.78	107,427.78
State Shared Revenues					4,267.59	4,267.59
Unrestricted Investment Earnings					98.73	98.73
Miscellaneous Revenue					36,633.34	36,633.34
Total General Revenues					270,467.68	270,467.68
Change in Net Position					70,317.84	14,915.13
Net Position - Beginning					2,673.83	249,691.40
NET POSITION - ENDING					72,991.67	264,606.53

\* The Municipality does not have interest expense related to the functions presented above. This amount indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>General Fund</u>	<u>Liquor, Lodging and Dining Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	<u>59,329.53</u>	<u>13,662.14</u>	<u>72,991.67</u>
<b>TOTAL ASSETS</b>	<u><u>59,329.53</u></u>	<u><u>13,662.14</u></u>	<u><u>72,991.67</u></u>
<b>FUND BALANCES:</b>			
Restricted Parks and City Promotion		<u>13,662.14</u>	<u>13,662.14</u>
Assigned for Next Years Budget	<u>59,329.53</u>		<u>59,329.53</u>
<b>TOTAL FUND BALANCES</b>	<u><u>59,329.53</u></u>	<u><u>13,662.14</u></u>	<u><u>72,991.67</u></u>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	General Fund	Liquor, Lodging and Dining Fund	Total Governmental Funds
<b>Revenues:</b>			
Taxes:			
General Property Taxes	121,338.21		121,338.21
General Sales and Use Taxes	102,683.58	4,744.20	107,427.78
Amusement Taxes	108.00		108.00
Penalties and Interest on Delinquent Taxes	594.03		594.03
Total Taxes	224,723.82	4,744.20	229,468.02
Licenses and Permits	1,962.50	0.00	1,962.50
Intergovernmental Revenue:			
State Grants	1,339.00		1,339.00
State Shared Revenue:			
Bank Franchise Tax	1,958.13		1,958.13
Prorate License Fees	2,303.71		2,303.71
Liquor Tax Reversion	2,309.46		2,309.46
Motor Vehicle Licenses	8,041.85		8,041.85
Local Government Highway and Bridge Fund	20,859.95		20,859.95
County Shared Revenue:			
County Road Tax	1,033.44		1,033.44
County Wheel Tax	3,032.28		3,032.28
Total Intergovernmental Revenue	40,877.82	0.00	40,877.82
Charges for Goods and Services:			
Highways and Streets	193.00		193.00
Sanitation	633.43		633.43
Culture and Recreation	5,773.78		5,773.78
Total Charges for Goods and Services	6,600.21	0.00	6,600.21
Fines and Forfeits:			
Court Fines and Costs	284.65		284.65
Library	304.04		304.04
Other	19.77		19.77
Total Fines and Forfeits	608.46	0.00	608.46
Miscellaneous Revenue:			
Investment Earnings	98.73		98.73
Rentals	16,625.00		16,625.00
Other	3,033.34		3,033.34
Total Miscellaneous Revenue	19,757.07	0.00	19,757.07
<b>Total Revenue</b>	<b>294,529.88</b>	<b>4,744.20</b>	<b>299,274.08</b>

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	General Fund	Liquor, Lodging and Dining Fund	Total Governmental Funds
<b>Expenditures:</b>			
General Government:			
Executive	9,176.05		9,176.05
Elections	1,208.41		1,208.41
Financial Administration	31,371.90		31,371.90
Other	13,661.65		13,661.65
Total General Government	55,418.01	0.00	55,418.01
Public Safety:			
Police	36,375.22		36,375.22
Fire	22,125.20		22,125.20
Total Public Safety	58,500.42	0.00	58,500.42
Public Works:			
Highways and Streets	75,529.51		75,529.51
Sanitation	654.12		654.12
Total Public Works	76,183.63	0.00	76,183.63
Culture and Recreation:			
Recreation	31,557.30		31,557.30
Parks	12,482.42		12,482.42
Libraries	13,362.70		13,362.70
Total Culture and Recreation	57,402.42	0.00	57,402.42
Conservation and Development:			
Economic Development and Assistance	8,751.76		8,751.76
Total Conservation and Development	8,751.76	0.00	8,751.76
Debt Service	6,300.00		6,300.00
Total Expenditures	262,556.24	0.00	262,556.24
Excess of Revenues Over (Under) Expenditures	31,973.64	4,744.20	36,717.84
<b>Other Financing Sources (Uses):</b>			
Sale of Municipal Property	33,100.00		33,100.00
Compensation for Loss or Damage to Capital Assets	500.00		500.00
Total Other Financing Sources (Uses)	33,600.00	0.00	33,600.00
Net Change in Fund Balance	65,573.64	4,744.20	70,317.84
Fund Balance - Beginning	(6,244.11)	8,917.94	2,673.83
FUND BALANCE - ENDING	59,329.53	13,662.14	72,991.67

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Daycare Fund	Totals
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	42,077.73	115,033.65		2,207.57	159,318.95
Investments	105,287.58				105,287.58
Due From Liquor Fund	22,494.83				22,494.83
<b>TOTAL ASSETS</b>	<b>169,860.14</b>	<b>115,033.65</b>	<b>0.00</b>	<b>2,207.57</b>	<b>287,101.36</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Due to Water Fund			22,494.83		22,494.83
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>	<b>22,494.83</b>	<b>0.00</b>	<b>22,494.83</b>
<b>NET POSITION:</b>					
Unrestricted (Deficit)	169,860.14	115,033.65	(22,494.83)	2,207.57	264,606.53
<b>TOTAL NET POSITION</b>	<b>169,860.14</b>	<b>115,033.65</b>	<b>(22,494.83)</b>	<b>2,207.57</b>	<b>264,606.53</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2017

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Liquor Fund	Daycare Fund	
<b>Operating Revenue:</b>					
Charges for Goods and Services	74,870.83	34,268.49	8,841.21	117,634.33	235,614.86
Revenue Dedicated to Servicing Debt	17,239.62	22,807.74			40,047.36
Lottery Sales			48.25		48.25
Total Operating Revenue	92,110.45	57,076.23	8,889.46	117,634.33	275,710.47
<b>Operating Expenses:</b>					
Personal Services	986.79	884.52	234.11	100,346.97	102,452.39
Other Current Expense	5,575.49	1,749.67	4,592.71	5,852.01	17,769.88
Materials	46,508.39	12,528.82	20,361.05	17,605.19	97,003.45
Total Operating Expenses	53,070.67	15,163.01	25,187.87	123,804.17	217,225.72
Operating Income (Loss)	39,039.78	41,913.22	(16,298.41)	(6,169.84)	58,484.75
<b>Nonoperating Revenue (Expense):</b>					
Operating Grants				8,194.50	8,194.50
Debt Service (Principal)	(15,311.02)	(10,104.31)			(25,415.33)
Interest Expense	(14,040.26)	(12,308.53)			(26,348.79)
Total Nonoperating Revenue (Expense)	(29,351.28)	(22,412.84)	0.00	8,194.50	(43,569.62)
Change in Net Position	9,688.50	19,500.38	(16,298.41)	2,024.66	14,915.13
Net Position - Beginning	160,171.64	95,533.27	(6,196.42)	182.91	249,691.40
<b>NET POSITION - ENDING</b>	<b>169,860.14</b>	<b>115,033.65</b>	<b>(22,494.83)</b>	<b>2,207.57</b>	<b>264,606.53</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**December 31, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	2,673.83	183,070.58	185,744.41
Investments		66,620.82	66,620.82
<b>TOTAL ASSETS</b>	<b>2,673.83</b>	<b>249,691.40</b>	<b>252,365.23</b>
<b>NET POSITION:</b>			
Restricted for:			
Parks/City Promotion	8,917.94		8,917.94
Unrestricted (Deficit)	(6,244.11)	249,691.40	243,447.29
<b>TOTAL NET POSITION</b>	<b>2,673.83</b>	<b>249,691.40</b>	<b>252,365.23</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	58,719.21	17,962.48			(40,756.73)	(40,756.73)
Public Safety	47,813.81	166.40			(47,647.41)	(47,647.41)
Public Works	57,587.05	1,883.76	37,990.08		(17,713.21)	(17,713.21)
Culture and Recreation	65,029.22	7,205.86			(57,823.36)	(57,823.36)
Conservation and Development	17,954.00				(17,954.00)	(17,954.00)
*Interest on Long-Term Debt	6,300.00				(6,300.00)	(6,300.00)
Total Governmental Activities	253,403.29	27,218.50	37,990.08	0.00	(188,194.71)	(188,194.71)
Business-type Activities:						
Water	83,940.22	96,745.52				12,805.30
Sewer	47,443.52	56,995.11				9,551.59
Liquor	5,236.79	3,288.55				(1,948.24)
Daycare	130,857.68	123,802.61	9,002.43			1,947.36
Total Business-Type Activities	267,478.21	280,831.79	9,002.43	0.00	22,356.01	22,356.01
Total Primary Government	520,881.50	308,050.29	46,992.51	0.00	(188,194.71)	(165,838.70)
<b>General Revenues:</b>						
Taxes:						
Property Taxes					121,535.47	121,535.47
Sales Taxes					88,006.08	88,006.08
State Shared Revenues					3,280.69	3,280.69
Unrestricted Investment Earnings					80.56	80.56
Miscellaneous Revenue					13,851.13	13,851.13
Total General Revenues					226,753.93	226,753.93
Change in Net Position					38,559.22	22,356.01
Net Position-Beginning					(35,885.39)	227,335.39
NET POSITION-ENDING					2,673.83	249,691.40
						252,365.23

\* The Municipality does not have interest expense related to the functions presented above. This amount indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

	<b>General Fund</b>	<b>Liquor, Lodging and Dining Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents		2,673.83	2,673.83
Due from General Fund		6,244.11	6,244.11
<b>TOTAL ASSETS</b>	<b>0.00</b>	<b>8,917.94</b>	<b>8,917.94</b>
<b>LIABILITIES:</b>			
Due to Liquor, Lodging & Dining Fund	6,244.11		6,244.11
<b>TOTAL LIABILITIES</b>	<b>6,244.11</b>	<b>0.00</b>	<b>6,244.11</b>
<b>FUND BALANCES:</b>			
Restricted for Parks and City Promotion		8,917.94	8,917.94
Unassigned	(6,244.11)		(6,244.11)
<b>TOTAL FUND BALANCES</b>	<b>(6,244.11)</b>	<b>8,917.94</b>	<b>2,673.83</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>0.00</b>	<b>8,917.94</b>	<b>8,917.94</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**

	<b>General Fund</b>	<b>Liquor, Lodging and Dining Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes:			
General Property Taxes	120,845.99		120,845.99
General Sales and Use Taxes	83,900.34	4,105.74	88,006.08
Amusement Taxes	96.00		96.00
Penalties and Interest on Delinquent Taxes	593.48		593.48
Total Taxes	205,435.81	4,105.74	209,541.55
Licenses and Permits	2,800.00	0.00	2,800.00
Intergovernmental Revenue:			
State Grants	1,309.00		1,309.00
State Shared Revenue:			
Bank Franchise Tax	853.74		853.74
Prorate License Fees	1,471.38		1,471.38
Liquor Tax Reversion	2,426.95		2,426.95
Motor Vehicle Licenses	7,850.73		7,850.73
Local Government Highway and Bridge Fund	23,242.12		23,242.12
County Shared Revenue:			
County Road Tax	1,033.44		1,033.44
County Wheel Tax	3,083.41		3,083.41
Total Intergovernmental Revenue	41,270.77	0.00	41,270.77
Charges for Goods and Services:			
Highways and Streets	905.30		905.30
Sanitation	978.46		978.46
Culture and Recreation	7,175.86		7,175.86
Total Charges for Goods and Services	9,059.62	0.00	9,059.62
Fines and Forfeits:			
Court Fines and Costs	166.40		166.40
Library	30.00		30.00
Other	37.48		37.48
Total Fines and Forfeits	233.88	0.00	233.88
Miscellaneous Revenue:			
Investment Earnings	80.56		80.56
Rentals	15,125.00		15,125.00
Other	13,851.13		13,851.13
Total Miscellaneous Revenue	29,056.69	0.00	29,056.69
Total Revenue	287,856.77	4,105.74	291,962.51

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**

	General Fund	Liquor, Lodging and Dining Fund	Total Governmental Funds
<b>Expenditures:</b>			
General Government:			
Executive	8,560.39		8,560.39
Elections	1,286.03		1,286.03
Financial Administration	23,278.60		23,278.60
Other	25,594.19		25,594.19
Total General Government	58,719.21	0.00	58,719.21
Public Safety:			
Police	33,553.38		33,553.38
Fire	14,260.43		14,260.43
Total Public Safety	47,813.81	0.00	47,813.81
Public Works:			
Highways and Streets	56,800.38		56,800.38
Sanitation	786.67		786.67
Total Public Works	57,587.05	0.00	57,587.05
Culture and Recreation:			
Recreation	39,039.36		39,039.36
Parks	12,571.65		12,571.65
Libraries	13,418.21		13,418.21
Total Culture and Recreation	65,029.22	0.00	65,029.22
Conservation and Development:			
Economic Development and Assistance	17,954.00		17,954.00
Total Conservation and Development	17,954.00	0.00	17,954.00
Debt Service	6,300.00		6,300.00
Total Expenditures	253,403.29	0.00	253,403.29
Net Change in Fund Balance	34,453.48	4,105.74	38,559.22
Fund Balance - Beginning	(40,697.59)	4,812.20	(35,885.39)
FUND BALANCE - ENDING	(6,244.11)	8,917.94	2,673.83

The notes to the financial statements are an integral part of this statement.



**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**December 31, 2016**

	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Daycare Fund	Totals
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	87,354.40	95,533.27		182.91	183,070.58
Investments	66,620.82				66,620.82
Due From Liquor Fund	6,196.42				6,196.42
<b>TOTAL ASSETS</b>	<b>160,171.64</b>	<b>95,533.27</b>	<b>0.00</b>	<b>182.91</b>	<b>255,887.82</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Due to Water Fund			6,196.42		6,196.42
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>	<b>6,196.42</b>	<b>0.00</b>	<b>6,196.42</b>
<b>NET POSITION:</b>					
Unrestricted (Deficit)	160,171.64	95,533.27	(6,196.42)	182.91	249,691.40
<b>TOTAL NET POSITION</b>	<b>160,171.64</b>	<b>95,533.27</b>	<b>(6,196.42)</b>	<b>182.91</b>	<b>249,691.40</b>

The notes to the financial statements are an integral part of this statement.

**MUNICIPALITY OF WHITE LAKE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2016**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Liquor Fund	Daycare Fund	
<b>Operating Revenue:</b>					
Charges for Goods and Services	79,392.74	33,604.55		123,802.61	240,088.45
Revenue Dedicated to Servicing Debt	17,352.78	23,390.56	3,288.55		40,743.34
Total Operating Revenue	96,745.52	56,995.11	3,288.55	123,802.61	280,831.79
<b>Operating Expenses:</b>					
Personal Services	15,366.64	15,227.54	1,957.42	106,729.93	139,281.53
Other Current Expense	6,720.92	6,866.77	2,150.27	5,303.50	21,041.46
Materials	32,501.38	2,936.37	1,129.10	18,824.25	55,391.10
Total Operating Expenses	54,588.94	25,030.68	5,236.79	130,857.68	215,714.09
Operating Income (Loss)	42,156.58	31,964.43	(1,948.24)	(7,055.07)	65,117.70
<b>Nonoperating Revenue (Expense):</b>					
Operating Grants				9,002.43	9,002.43
Debt Service (Principal)	(14,808.75)	(9,773.45)			(24,582.20)
Interest Expense	(14,542.53)	(12,639.39)			(27,181.92)
Total Nonoperating Revenue (Expense)	(29,351.28)	(22,412.84)	0.00	9,002.43	(42,761.69)
Change in Net Position	12,805.30	9,551.59	(1,948.24)	1,947.36	22,356.01
Net Position - Beginning	147,366.34	85,981.68	(4,248.18)	(1,764.45)	227,335.39
<b>NET POSITION - ENDING</b>	<b>160,171.64</b>	<b>95,533.27</b>	<b>(6,196.42)</b>	<b>182.91</b>	<b>249,691.40</b>

The notes to the financial statements are an integral part of this statement.

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## NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

#### a. Financial Reporting Entity:

The reporting entity of the Municipality of White Lake (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The Municipality participates in a cooperative unit with twenty-eight other governmental entities. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the Municipality.

#### b. Basis of Presentation:

##### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

**Governmental Funds:**

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of special revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Liquor, Lodging and Dining Gross Receipts Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the municipality (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is a major fund.

**Proprietary Funds:**

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Liquor Fund – to account for the operation of an on-sale and/or off-sale municipal liquor store. (SDCL 35-3-21) This is a major fund.

Daycare Fund – financed primarily by user charges, this fund accounts for the operation of a daycare center. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The Municipality's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

**Measurement Focus:**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied with the limitations of the modified cash basis of accounting.

**Basis of Accounting:**

In the Government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.
- b. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statement, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

f. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

i. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in one component.

1. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

l. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Municipality uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Municipality would first use committed, then assigned, and lastly unassigned amounts for unrestricted fund balance when expenditures are made.

The Municipality does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Liquor, Lodging and Dining	
Gross Receipts Tax Fund	Sales Tax

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended 12/31/2016</u>	<u>Year Ended 12/31/2017</u>
General Fund:		
General Government:		
Elections	\$ 1,286.03	\$ 1,208.41
Financial Administration	1,274.60	
Public Safety:		
Police		1,375.22
Fire		4,425.20
Public Works:		
Sanitation	786.67	654.12
Culture and Recreation:		
Recreation		15,167.30
Parks		92.42
Conservation and Development:		
Economic Development and Assistance	17,954.00	8,751.76
Debt Service	6,300.00	6,300.00

The Municipality plans to take the following actions to address these violations:  
Use supplemental budgets when legal authority exists.

3. DEFICIT FUND BALANCES/NET POSITION:

As of December 31, 2016 the following individual funds had deficit fund balances/net position in the amounts shown:

General Fund	\$ 6,244.11
Liquor Fund	\$ 6,196.42

See Independent Auditor's Report.



NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

As of December 31, 2017 the following individual funds had deficit fund balances/net position in the amounts shown:

Liquor Fund	\$ 22,494.83
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4. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized as follows:

**Deposits** – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** – In general, SDCL 4-5-6 permits Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2017, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

**Credit Risk** – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk.

**Concentration of Credit Risk** – The Municipality places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – The Municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the general fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. This amount is not material.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

5. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable property in the Municipality.

6. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2017 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Funds:		
Water Fund	\$22,494.83	
Liquor Fund		\$22,494.83

Interfund receivable and payable balances at December 31, 2016 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		\$6,244.11
Special Revenue Funds:		
Liquor, Lodging & Dining Fund	\$6,244.11	
Enterprise Funds:		
Water Fund	\$6,196.42	
Liquor Fund		\$6,196.42

The purposes for the interfund receivable and payable balances are to eliminate cash deficits.

7. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2017 and 2016 were as follows:

Major Purposes:	<u>12/31/2017</u>	<u>12/31/2016</u>
Parks and City Promotion Purposes	\$ 13,662.14	\$ 8,917.94
Total Restricted Net Position	<u>\$ 13,662.14</u>	<u>\$ 8,917.94</u>

These balances are restricted due to federal grant and statutory requirements.

8. LONG-TERM COMMITMENTS

The Municipality of White Lake entered into a forty-year commitment with Aurora-Brule Rural Water System to provide water to the Municipality. A monthly charge in the amount of \$385.00 along with a charge of \$2.50 per 1,000 gallons of water consumed is paid by the Municipality to Aurora-Brule Rural Water System. The monthly charge represents a contribution by the Municipality to aid Aurora-Brule Rural Water System in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

The following are the minimum payments on this long-term commitment:

2018	\$ 4,620.00
2019	\$ 4,620.00
2020	\$ 4,620.00
2021	\$ 4,620.00

#### 9. PENSION PLAN

##### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

##### Benefits Provided:

SDRS has three different classes of employees, Class A, Class B Public Safety and Class B Judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

- The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015 were \$6,820.25, \$5,643.09, and \$6,212.51, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2017 and reported by the Municipality as of December 31, 2017 are as follows:

Proportionate share of pension liability	\$ 614,733.30
Less proportionate share of net pension restricted for pension benefits	<u>\$ 615,212.78</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (479.48)</u></u>

The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the Municipality's proportion was 0.00528350%, which is an increase of 0.0004545% from its proportion measured as of June 30, 2016.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for female and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 87,817.24	\$(479.48)	\$(72,381.73)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

#### 10. JOINT VENTURE

The Municipality participates in a joint venture, known as the Tri-County Landfill Association, Inc., formed for the purpose of providing solid waste disposal services to participating members.

The members of the joint venture and their relative percentage of participation are as follows:

Plankinton City	2.50%	Murdo City	2.81%
Stickney City	1.33%	Jones County	2.16%
White Lake City	1.73%	Kennebec City	1.17%
Aurora County	7.39%	Oacoma City	1.52%
Chamberlain City	9.70%	Presho City	2.70%
Kimball City	3.07%	Reliance City	0.70%
Pukwana City	1.09%	Lyman County	4.30%
Brule County	8.81%	Colome City	1.28%
Buffalo County	1.09%	New Witten City	0.36%
Alpena City	1.04%	Winner City	13.84%
Lane City	0.29%	Tripp County	13.10%
Wessington Springs City	4.47%	White River City	2.46%
Jerauld County	4.21%	Wood City	0.30%
Draper City	0.51%	Mellette County	6.07%

The joint venture's governing board is composed of 12 representatives—one from each of the 8 counties and 4 members at large. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The Municipality retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

At December 31, 2017, financial information for this joint venture was not available.

#### 11. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2017, the Municipality was not involved in any significant litigation.

#### 12. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2017, the Municipality managed its risks as follows:

##### Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Liability Insurance:

The Municipality purchases liability insurance for risks related to torts, theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS  
(Continued)

Workmen's Compensation:

The Municipality purchases liability insurance for workmen's compensation from a commercial carrier.

Unemployment Benefits:

The Municipality provided coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF WHITE LAKE  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND**

**For the Year Ended December 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	123,164.00	123,164.00	121,338.21	(1,825.79)
General Sales and Use Taxes	88,500.00	88,500.00	102,683.58	14,183.58
Amusement Taxes	0.00	0.00	108.00	108.00
Tax Deed Revenue	1,000.00	1,000.00	0.00	(1,000.00)
Penalties and Interest on Delinquent Taxes	100.00	100.00	594.03	494.03
Total Taxes	212,764.00	212,764.00	224,723.82	11,959.82
Licenses and Permits	3,500.00	3,500.00	1,962.50	(1,537.50)
Intergovernmental Revenue:				
State Grants	1,309.00	1,309.00	1,339.00	30.00
State Shared Revenue:				
Bank Franchise Tax	800.00	800.00	1,958.13	1,158.13
Prorate License Fees	0.00	0.00	2,303.71	2,303.71
Liquor Tax Reversion	2,200.00	2,200.00	2,309.46	109.46
Motor Vehicle Licenses	7,000.00	7,000.00	8,041.85	1,041.85
Local Government Highway and Bridge Fund	21,500.00	21,500.00	20,859.95	(640.05)
County Shared Revenue:				
County Road Tax	800.00	800.00	1,033.44	233.44
County Wheel Tax	2,400.00	2,400.00	3,032.28	632.28
Total Intergovernmental Revenue	36,009.00	36,009.00	40,877.82	4,868.82
Charges for Goods and Services:				
General Government	400.00	400.00	0.00	(400.00)
Highways and Streets	22,000.00	22,000.00	193.00	(21,807.00)
Sanitation	0.00	0.00	633.43	633.43
Culture and Recreation	400.00	400.00	5,773.78	5,373.78
Total Charges for Goods and Services	22,800.00	22,800.00	6,600.21	(16,199.79)
Fines and Forfeits:				
Court Fines and Costs	100.00	100.00	284.65	184.65
Library	0.00	0.00	304.04	304.04
Other	0.00	0.00	19.77	19.77
Total Fines and Forfeits	100.00	100.00	608.46	508.46
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	98.73	98.73
Rentals	18,800.00	18,800.00	16,625.00	(2,175.00)
Other	8,950.00	8,950.00	3,033.34	(5,916.66)
Total Miscellaneous Revenue	27,750.00	27,750.00	19,757.07	(7,992.93)
<b>Total Revenue</b>	<b>302,923.00</b>	<b>302,923.00</b>	<b>294,529.88</b>	<b>(8,393.12)</b>



**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WHITE LAKE**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Executive	14,893.00	14,893.00	9,176.05	5,716.95
Elections	0.00	0.00	1,208.41	(1,208.41)
Financial Administration	38,795.00	38,795.00	31,371.90	7,423.10
Other	35,700.00	35,700.00	13,661.65	22,038.35
Total General Government	89,388.00	89,388.00	55,418.01	33,969.99
Public Safety:				
Police	35,000.00	35,000.00	36,375.22	(1,375.22)
Fire	17,700.00	17,700.00	22,125.20	(4,425.20)
Total Public Safety	52,700.00	52,700.00	58,500.42	(5,800.42)
Public Works:				
Highways and Streets	119,200.00	119,200.00	75,529.51	43,670.49
Sanitation	0.00	0.00	654.12	(654.12)
Total Public Works	119,200.00	119,200.00	76,183.63	43,016.37
Culture and Recreation:				
Recreation	16,390.00	16,390.00	31,557.30	(15,167.30)
Parks	12,390.00	12,390.00	12,482.42	(92.42)
Libraries	17,355.00	17,355.00	13,362.70	3,992.30
Total Culture and Recreation	46,135.00	46,135.00	57,402.42	(11,267.42)
Conservation and Development:				
Economic Development and Assistance	0.00	0.00	8,751.76	(8,751.76)
Total Conservation and Development	0.00	0.00	8,751.76	(8,751.76)
Debt Service	0.00	0.00	6,300.00	(6,300.00)
Total Expenditures	307,423.00	307,423.00	262,556.24	44,866.76
Excess of Revenue Over (Under) Expenditures	(4,500.00)	(4,500.00)	31,973.64	36,473.64
<b>Other Financing Sources (Uses):</b>				
Transfers In	4,500.00	4,500.00	0.00	(4,500.00)
Sale of Municipal Property	0.00	0.00	33,100.00	33,100.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	500.00	500.00
Total Other Financing Sources (Uses)	4,500.00	4,500.00	33,600.00	29,100.00
Net Change in Fund Balances	0.00	0.00	65,573.64	65,573.64
Fund Balance - Beginning	(6,244.11)	(6,244.11)	(6,244.11)	0.00
FUND BALANCE - ENDING	(6,244.11)	(6,244.11)	59,329.53	65,573.64

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WHITE LAKE**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIQUOR, LODGING & DINING FUND**  
**For the Year Ended December 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	3,800.00	3,800.00	4,744.20	944.20
Total Taxes	3,800.00	3,800.00	4,744.20	944.20
Total Revenue	3,800.00	3,800.00	4,744.20	944.20
<b>Expenditures:</b>				
Culture and Recreation:				
Libraries	26,396.00	26,396.00	0.00	26,396.00
Total Culture and Recreation	26,396.00	26,396.00	0.00	26,396.00
Total Expenditures	26,396.00	26,396.00	0.00	26,396.00
Net Change in Fund Balances	(22,596.00)	(22,596.00)	4,744.20	27,340.20
Fund Balance - Beginning	8,917.94	8,917.94	8,917.94	0.00
FUND BALANCE - ENDING	(13,678.06)	(13,678.06)	13,662.14	27,340.20

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WHITE LAKE**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	121,139.00	121,139.00	120,845.99	(293.01)
General Sales and Use Taxes	84,800.00	84,800.00	83,900.34	(899.66)
Amusement Taxes	0.00	0.00	96.00	96.00
Penalties and Interest on Delinquent Taxes	300.00	300.00	593.48	293.48
Total Taxes	206,239.00	206,239.00	205,435.81	(803.19)
Licenses and Permits	200.00	200.00	2,800.00	2,600.00
Intergovernmental Revenue:				
State Grants	0.00	0.00	1,309.00	1,309.00
State Shared Revenue:				
Bank Franchise Tax	650.00	650.00	853.74	203.74
Prorate License Fees	0.00	0.00	1,471.38	1,471.38
Liquor Tax Reversion	2,000.00	2,000.00	2,426.95	426.95
Motor Vehicle Licenses	6,000.00	6,000.00	7,850.73	1,850.73
Local Government Highway and Bridge Fund	23,000.00	23,000.00	23,242.12	242.12
Other	1,400.00	1,400.00	0.00	(1,400.00)
County Shared Revenue:				
County Road Tax	1,000.00	1,000.00	1,033.44	33.44
County Wheel Tax	2,230.00	2,230.00	3,083.41	853.41
Total Intergovernmental Revenue	36,280.00	36,280.00	41,270.77	4,990.77
Charges for Goods and Services:				
General Government	400.00	400.00	0.00	(400.00)
Highways and Streets	0.00	0.00	905.30	905.30
Sanitation	0.00	0.00	978.46	978.46
Culture and Recreation	3,500.00	3,500.00	7,175.86	3,675.86
Total Charges for Goods and Services	3,900.00	3,900.00	9,059.62	5,159.62
Fines and Forfeits:				
Court Fines and Costs	150.00	150.00	166.40	16.40
Library	0.00	0.00	30.00	30.00
Other	0.00	0.00	37.48	37.48
Total Fines and Forfeits	150.00	150.00	233.88	83.88
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	80.56	80.56
Rentals	0.00	0.00	15,125.00	15,125.00
Other	3,700.00	3,700.00	13,851.13	10,151.13
Total Miscellaneous Revenue	3,700.00	3,700.00	29,056.69	25,356.69
Total Revenue	250,469.00	250,469.00	287,856.77	37,387.77

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF WHITE LAKE**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Executive	11,510.00	11,510.00	8,560.39	2,949.61
Elections	0.00	0.00	1,286.03	(1,286.03)
Financial Administration	22,004.00	22,004.00	23,278.60	(1,274.60)
Other	35,500.00	35,500.00	25,594.19	9,905.81
Total General Government	69,014.00	69,014.00	58,719.21	10,294.79
Public Safety:				
Police	33,555.00	33,555.00	33,553.38	1.62
Fire	18,500.00	18,500.00	14,260.43	4,239.57
Total Public Safety	52,055.00	52,055.00	47,813.81	4,241.19
Public Works:				
Highways and Streets	71,485.00	71,485.00	56,800.38	14,684.62
Sanitation	0.00	0.00	786.67	(786.67)
Total Public Works	71,485.00	71,485.00	57,587.05	13,897.95
Culture and Recreation:				
Recreation	46,727.00	46,727.00	39,039.36	7,687.64
Parks	21,963.00	21,963.00	12,571.65	9,391.35
Libraries	14,275.00	14,275.00	13,418.21	856.79
Total Culture and Recreation	82,965.00	82,965.00	65,029.22	17,935.78
Conservation and Development:				
Economic Development and Assistance	0.00	0.00	17,954.00	(17,954.00)
Total Conservation and Development	0.00	0.00	17,954.00	(17,954.00)
Debt Service	0.00	0.00	6,300.00	(6,300.00)
Total Expenditures	275,519.00	275,519.00	253,403.29	22,115.71
Excess of Revenue Over (Under)				
Expenditures	(25,050.00)	(25,050.00)	34,453.48	59,503.48
<b>Other Financing Sources (Uses):</b>				
Transfers In	25,000.00	25,000.00	0.00	(25,000.00)
Total Other Financing Sources (Uses)	25,000.00	25,000.00	0.00	(25,000.00)
Net Change in Fund Balances	(50.00)	(50.00)	34,453.48	34,503.48
Fund Balance - Beginning	(40,697.59)	(40,697.59)	(40,697.59)	0.00
FUND BALANCE - ENDING	(40,747.59)	(40,747.59)	(6,244.11)	34,503.48

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NOTES TO THE SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting:

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

The Municipality did not encumber any amounts at December 31, 2017 and 2016.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the modified cash basis of accounting.

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Three Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension liability/asset	0.0052835%	0.0048290%	0.0045927%
Municipality's proportionate share of net pension liability (asset)	\$ (479)	\$ 16,312	\$ (19,479)
Municipality's covered-employee payroll	\$ 106,484	\$ 91,816	\$ 83,845
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.45%	17.77%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.1%	96.89%	104.10%

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Three Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,820	\$ 5,643	\$ 6,213
Contributions in relation to the contractually required contribution	<u>\$ 6,820</u>	<u>\$ 5,643</u>	<u>\$ 6,213</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 113,666	\$ 94,044	\$ 103,534
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%

SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF WHITE LAKE

SCHEDULE OF LONG-TERM DEBT

LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue Bond -					
Main Street	81,702.49		7,116.89	74,585.60	3,750.82
Total Debt	81,702.49	0.00	7,116.89	74,585.60	3,750.82
Accrued Compensated Absences -					
Governmental Funds	0.00	1,455.04	506.74	948.30	742.00
Total Governmental Activities	81,702.49	1,455.04	7,623.63	75,533.90	4,492.82
Business-Type Activities:					
Bonds Payable:					
Sales Tax Revenue Bond -					
Main Street	163,404.99		14,233.80	149,171.19	7,501.65
Water Utility Revenue Bond	120,681.86		9,605.87	111,075.99	5,155.17
Drinking Water SRF Series 2013	273,934.01		13,397.03	260,536.98	6,927.35
Clean Water SRF Series 2013	304,973.13		12,760.86	292,212.27	6,696.99
Total Debt	862,993.99	0.00	49,997.56	812,996.43	26,281.16
Accrued Compensated Absences -					
Business-Type Funds	0.00	2,910.08	1,013.48	1,896.60	1,484.00
Total Business-Type Activities	862,993.99	2,910.08	51,011.04	814,893.03	27,765.16
Total Primary Government	944,696.48	4,365.12	58,634.67	890,426.93	32,257.98

Debt payable at December 31, 2017, is comprised of the following:

**PRIMARY GOVERNMENT**

Sales Tax Revenue Bond \$ 223,756.79

Maturity Date: March 18, 2044

Interest Rate: 3.50%

Payable from 1/3 General, 1/3 Water, and 1/3 Sewer Fund

Water Utility Revenue Bond \$ 111,075.99

Maturity Date: January 11, 2039

Interest Rate: 4.75%

Payable from Water Fund

Drinking Water Borrower Bond Series 2013 \$ 260,536.98

Maturity Date: May 15, 2045

Interest Rate: 2.25%

Payable from Water Fund



SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF WHITE LAKE  
(Continued)

Clean Water Borrower Bond Series 2013 \$ 292,212.27  
Maturity Date: May 15, 2045  
Interest Rate: 3.25%  
Payable from Sewer Fund

Compensated Absences  
General Fund \$ 948.30  
Water Fund \$ 948.30  
Sewer Fund \$ 948.30

The annual requirements to amortize all debt outstanding as of December 31, 2017, including interest payments, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2017

Year Ending December 31,	Sales Tax Revenue Bond		Water Utility Revenue Bond		Drinking Water Borrower Bond Series 2013	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	11,252.47	7,647.53	5,155.17	5,164.83	6,927.35	5,803.93
2019	11,652.70	7,247.30	5,405.42	4,914.58	7,084.53	5,646.75
2020	12,067.15	6,832.85	5,667.86	4,652.14	7,245.28	5,486.00
2021	12,496.34	6,403.66	5,943.02	4,376.98	7,409.70	5,321.58
2022	12,940.79	5,959.21	6,231.54	4,088.46	7,577.82	5,153.46
2023-2027	71,944.14	22,555.86	36,000.28	15,599.72	40,547.64	23,108.76
2028-2032	85,681.36	8,818.64	45,629.65	5,970.35	45,361.44	18,294.96
2033-2037	5,721.84	578.16	1,043.05	676.95	50,746.74	12,909.66
2038-2042					56,771.37	6,885.03
2043-2047					30,865.11	963.09
Totals	<u>223,756.79</u>	<u>66,043.21</u>	<u>111,075.99</u>	<u>45,444.01</u>	<u>260,536.98</u>	<u>89,573.22</u>

  

Year Ending December 31,	Clean Water Borrower Bond Series 2013		Total	
	Principal	Interest	Principal	Interest
2018	6,696.99	9,415.85	30,031.98	28,032.14
2019	6,917.30	9,195.54	31,059.95	27,004.17
2020	7,144.88	8,967.96	32,125.17	25,938.95
2021	7,379.94	8,732.90	33,229.00	24,835.12
2022	7,622.72	8,490.12	34,372.87	23,691.25
2023-2027	42,044.30	38,519.90	190,536.36	99,784.24
2028-2032	49,430.52	31,133.68	226,102.97	64,217.63
2033-2037	58,114.28	22,449.92	115,625.91	36,614.69
2038-2042	68,323.55	12,240.65	125,094.92	19,125.68
2043-2047	38,537.79	1,744.31	69,402.90	2,707.40
Totals	<u>292,212.27</u>	<u>150,890.83</u>	<u>887,582.03</u>	<u>351,951.27</u>

The above long-term debt information is presented for informational purposes only. The financial statements are prepared on the modified cash basis so no liabilities are shown.